

Message Text

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PAGE 01 STATE 101713
ORIGIN STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /126 R

DRAFTED BY STR/HLAWRENCE/MFD
APPROVED BY STR/WBKELLY, JR.
TREAS/JSHELTON
LABOR/DWANAMAKER
EB/ITP/OT/TA/HKOPP
AGRIC/BHARPER
COM/DSCHLECTY

-----117526 210409Z /13

P R 210145Z APR 78
FM SECSTATE WASHDC
TO USMISSION GENEVA PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME

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USMTN ALSO USEEC ; PASS CODEL

E.O. 11652: N/A

TAGS: ETRD, MTN
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SUBJECT: U.S. OFFER ON WINE-GALLON/PROOF-GALLON

REF: GENEVA 5652

1. U.S. OFFER ON WINE-GALLON METHOD OF TAX ASSESSMENT
TABLED ON JANUARY 15 STATED THAT "THE UNITED STATES IS PRE-

PARED TO CONSIDER CHANGING ITS SYSTEM OF ASSESSING EXCISE TAXES AND IMPORT DUTIES ON BOTTLED DISTILLED SPIRITS TO A PROOF-GALLON SYSTEM." WORDING OF THIS OFFER WAS CAREFULLY DEVELOPED. WE DID NOT OFFER TO CHANGE WINE-GALLON TAXATION METHOD; WE ONLY OFFERED TO CONSIDER A CHANGE.

2. WE ARE NOT NOW CONSIDERING VARIOUS OPTIONS FOR CHANGING WINE-GALLON SYSTEM. ANY FURTHER U.S. CONSIDERATION OF THIS ISSUE IS CONTINGENT UPON PROPOSAL(S) FROM EC OR FROM OTHER PRINCIPAL SUPPLYING COUNTRIES. SUCH PROPOSALS WOULD HAVE TO OFFER CONCESSIONS OF INTEREST TO U.S. EXPORTS THAT GO BEYOND DISTILLED SPIRITS BECAUSE WINE-GALLON IS OF SUCH VAST REVENUE AND TRADE IMPORTANCE THAT THERE IS INADEQUATE RECIPROCITY IN SPIRITS AREA ALONE.

3. THERE IS ALREADY CONSIDERABLE DOMESTIC OPPOSITION TO ANY CHANGES IN WINE-GALLON SYSTEM. BEGIN FYI -- ON MARCH 23, ISAC 1 CHANGED ITS FORMAL ADVICE ON THIS SUBJECT. RELEVANT ISAR NOW READS, "THE MAJORITY OF THE UNITED STATES

DISTILLED SPIRITS INDUSTRY OPPOSES ANY CHANGE IN THE WINE-GALLON/PROOF-GALLON METHOD OF TAX ASSESSMENT, BECAUSE SUCH A CHANGE WOULD BE DETRIMENTAL TO THE DOMESTIC INDUSTRY AND WOULD NOT BENEFIT THE U.S. ECONOMY. ISAC 1 ENDORSES THIS POSITION. THREE U.S. DISTILLING COMPANIES REPRESENT A MINORITY VIEW IN RECOMMENDING A CHANGE SINCE THEY CONSIDER LIMITED OFFICIAL USE

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THE PRESENT METHOD TO BE A DISCRIMINATORY TRADE BARRIER."
END FYI. -

4. ONLY AMBITIOUS PROPOSAL BY EC OR OTHER PRINCIPAL SUPPLIER WILL ENABLE FURTHER CONSIDERATION OF U.S. ACTION ON WINE-GALLON. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WINES, IMPORT CONTROLS, TARIFFS, TAXES, AMENDMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE101713
Document Source: CORE
Document Unique ID: 00
Drafter: HLAWRENCE/MFD
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780170-0494
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780430/aaaaayxp.tel
Line Count: 100
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7309efa9-c288-dd11-92da-001cc4696bcc
Office: ORIGIN STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 5652
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2889465
Secure: OPEN
Status: NATIVE
Subject: U.S. OFFER ON WINE-GALLON/PROOF-GALLON
TAGS: ETRD, US, MTN
To: GENEVA USMTN MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/7309efa9-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014